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FATF Glossary

Use the arrows on the right to expand the relevant section and view individual terms. For further information, see the source indicated.

A-C

Accounts

References to “*accounts*” should be read as including other similar business relationships between financial institutions and their customers.

Source: [*FATF Recommendations*](#)

Accurate

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Agent

For the purposes of Recommendations 14 and 16, agent means any natural or legal person providing MVTs on behalf of an MVTs provider, whether by contract with or under the direction of the MVTs provider.

Source: [*FATF Recommendations*](#)

Appropriate authorities

Please refer to the Interpretive Note to Recommendation 8. ([*FATF Recommendations*](#))

Associate NPOs

Please refer to the Interpretive Note to Recommendation 8. ([*FATF Recommendations*](#))

Batch transfer

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Bearer negotiable instruments

Bearer negotiable instruments (BNIs) includes monetary instruments in bearer form such as: traveller's cheques; negotiable instruments (including cheques, promissory notes and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery; incomplete instruments (including cheques, promissory notes and money orders) signed, but with the payee's name omitted.

Source: [*FATF Recommendations*](#)

Bearer shares and bearer share warrants

Bearer shares refers to negotiable instruments that accord ownership in a legal person to the person who possesses the physical bearer share certificate, and any other similar instruments without traceability. It does not refer to dematerialised and/or registered forms of share certificate whose owner can be identified.

Bearer share warrants refers to negotiable instruments that accord entitlement to ownership in a legal person who possesses the physical bearer share warrant certificate, and any other similar warrants or instruments without traceability. It does not refer to dematerialised and/or registered form of warrants or other instruments whose owner can be identified. It also does not refer any other instruments that only confers a right to subscribe for ownership in a legal person at specified conditions, but not ownership or entitlement to ownership, unless and until the instruments are exercised.

Source: [*FATF Recommendations*](#)

Beneficial owner

In the context of legal persons, *beneficial owner* refers to the natural person(s) who ultimately^[1] owns or controls a customer^[2] and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person. Only a natural person can be an ultimate beneficial owner, and more than one natural person can be the ultimate beneficial owner of a given legal person.^[3]

In the context of legal arrangements, beneficial owner includes: (i) the settlor(s); (ii) the trustee(s); (iii) the protector(s) (if any); (iv) each beneficiary, or where applicable, the class of beneficiaries and objects of a power; and (v) any other natural person(s) exercising ultimate effective control over the arrangement.^[4] In the case of a legal arrangement similar to an express trust, beneficial owner refers to the natural person(s) holding an equivalent position to those referred above. When the trustee and any other party to the legal arrangement is a legal person, the beneficial owner of that legal person should be identified.

[1] Reference to “ultimately owns or controls” and “ultimate effective control” refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control.

[2] This definition should also apply to beneficial owner of a beneficiary under a life or other investment linked insurance policy.

[3] The ultimate beneficial owner is always one or more natural persons. As set out in R.10, in the context of CDD it may not be possible to verify the identity of such persons

through reasonable measures, and, to the extent that there is doubt about whether a person with a controlling ownership interest in a legal person is the ultimate beneficial owner, or where no natural person exerts control through ownership interests, the identity should be determined of the natural persons (if any) exercising control of the legal person through other means. Where no natural person is identified in that role, the natural person who holds the position of senior managing official should be identified and recorded as holding this position. This provision of R.10 does not amend or supersede the definition of who the beneficial owner is, but only sets out how CDD should be conducted in situations where the beneficial owner cannot be identified.

[4] Reference to “ultimate effective control” over trusts or similar legal arrangements includes situations in which ownership/control is exercised through a chain of ownership/control.

Beneficiaries

Please refer to the Interpretive Note to Recommendation 8. ([*FATF Recommendations*](#))

Beneficiary

The meaning of the term *beneficiary* in the FATF Recommendations depends on the context:

- In trust law, a beneficiary is the person or persons who are or may become entitled to the benefit of any trust arrangement. A beneficiary can be a natural person or a legal person, or a legal arrangement. All trusts (other than charitable or statutory permitted non-charitable trusts) are required to

have ascertainable beneficiaries. While trusts must always have some ultimately ascertainable beneficiary, trusts may have no defined existing beneficiaries when they are set up but only a class of beneficiaries and objects of a power until some person becomes entitled as beneficiary to income or capital on the expiry of a defined period, known as the accumulation period, or following exercise of trustee discretion in the case of a discretionary trust. The accumulation period is normally co-extensive with the trust perpetuity period which is usually referred to in the trust deed as the trust period.

- In the context of life insurance or another investment linked insurance policy, a beneficiary is the natural or legal person, or a legal arrangement, or category of persons, who will be paid the policy proceeds when/if an insured event occurs, which is covered by the policy.

Please also refer to the Interpretive Notes to Recommendation 16. ([*FATF Recommendations*](#))

Beneficiary Financial Institution

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Competent authorities

Competent authorities refers to all public authorities^[1] with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the FIU; the authorities that have the function of investigating and/or prosecuting money laundering, associated predicate

offences and terrorist financing, and seizing/freezing and confiscating criminal assets; authorities receiving reports on cross-border transportation of currency & BNIs; and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AML/CFT requirements. SRBs are not to be regarded as a competent authorities.

[1] This includes financial supervisors established as independent non-governmental authorities with statutory powers.

Source: [FATF Recommendations](#)

Confiscation

The term *confiscation*, which includes forfeiture where applicable, means the permanent deprivation of funds or other assets by order of a competent authority or a court. Confiscation or forfeiture takes place through a judicial or administrative procedure that transfers the ownership of specified funds or other assets to be transferred to the State. In this case, the person(s) or entity(ies) that held an interest in the specified funds or other assets at the time of the confiscation or forfeiture loses all rights, in principle, to the confiscated or forfeited funds or other assets. Confiscation or forfeiture orders are usually linked to a criminal conviction or a court decision whereby the confiscated or forfeited property is determined to have been derived from or intended for use in a violation of the law.

Source: [FATF Recommendations](#)

Core Principles

Core Principles refers to the Core Principles for Effective Banking Supervision issued by the Basel Committee on Banking Supervision, the Objectives and Principles for Securities Regulation issued by the International Organization of Securities Commissions, and the Insurance Supervisory Principles issued by the International Association of Insurance Supervisors.

Source: [*FATF Recommendations*](#).

Correspondent banking

Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (e.g. interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts and foreign exchange services.

Source: [*FATF Recommendations*](#)

Country

All references in the FATF Recommendations to *country* or *countries* apply equally to territories or jurisdictions.

Source: [*FATF Recommendations*](#)

Cover Payment

Please refer to the Interpretive Note to Recommendation 16.
([*FATF Recommendations*](#))

Criminal activity

Criminal activity refers to: (a) all criminal acts that would constitute a predicate offence for money laundering in the country; or (b) at a minimum to those offences that would constitute a predicate offence as required by Recommendation 3.

Source: [*FATF Recommendations*](#)

Cross-border Wire Transfer

Please refer to the Interpretive Note to Recommendation 16.
([*FATF Recommendations*](#))

Currency

Currency refers to banknotes and coins that are in circulation as a medium of exchange.

Source: [*FATF Recommendations*](#)

D-I

Designated categories of offences

Designated categories of offences means:

- participation in an organised criminal group and racketeering;
- terrorism, including terrorist financing;
- trafficking in human beings and migrant smuggling;
- sexual exploitation, including sexual exploitation of children;
- illicit trafficking in narcotic drugs and psychotropic substances;
- illicit arms trafficking;
- illicit trafficking in stolen and other goods;
- corruption and bribery;
- fraud;
- counterfeiting currency;
- counterfeiting and piracy of products;
- environmental crime (for example, criminal harvesting, extraction or trafficking of protected species of wild fauna and flora, precious metals and stones, other natural resources, or waste);
- murder, grievous bodily injury;
- kidnapping, illegal restraint and hostage-taking; robbery or theft;
- smuggling; (including in relation to customs and excise duties and taxes);
- tax crimes (related to direct taxes and indirect taxes);
- extortion;
- forgery;
- piracy; and
- insider trading and market manipulation.

When deciding on the range of offences to be covered as predicate offences under each of the categories listed above, each country may decide, in accordance with its domestic law, how it will define those offences and the nature of any particular elements of those offences that make them serious offences.

Source: [FATF Recommendations](#)

Designated non financial businesses and professions

Designated *non-financial businesses and professions* means:

- a) Casinos [1].
- b) Real estate agents.
- c) Dealers in precious metals.
- d) Dealers in precious stones.
- e) Lawyers, notaries, other independent legal professionals and accountants – this refers to sole practitioners, partners or employed professionals within professional firms. It is not meant to refer to ‘internal’ professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AML/CFT measures.
- f) Trust and Company Service Providers refers to all persons or businesses that are not covered elsewhere under these Recommendations, and which as a business, provide any of the following services to third parties:

- acting as a formation agent of legal persons;
- acting as (or arranging for another person to act as) a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
- providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
- acting as (or arranging for another person to act as) a trustee of an express trust or performing the equivalent function for another form of legal arrangement;
- acting as (or arranging for another person to act as) a nominee shareholder for another person.

[1] References to *Casinos* throughout the FATF Standards include internet- and ship-based casinos.

Source: [FATF Recommendations](#)

Designated person or entity

The term *designated person or entity* refers to:

- (i) individual, groups, undertakings and entities designated by the Committee of the Security Council established pursuant to resolution 1267 (1999) (the 1267 Committee), as being individuals associated with Al-Qaida, or entities and other groups and undertakings associated with Al-Qaida;
- (ii) individuals, groups, undertakings and entities designated by the Committee of the Security Council established pursuant to resolution 1988 (2011) (the 1988 Committee), as

being associated with the Taliban in constituting a threat to the peace, stability and security of Afghanistan, or entities and other groups and undertakings associated with the Taliban;

(iii) any natural or legal person or entity designated by jurisdictions or a supra-national jurisdiction pursuant to Security Council resolution 1373 (2001);

(iv) any individual, natural or legal person or entity designated for the application of targeted financial sanctions pursuant to Security Council resolution 1718 (2006) and any future successor resolutions by the Security Council in annexes to the relevant resolutions, or by the Security Council Committee established pursuant to resolution 1718 (2006) (the 1718 Sanctions Committee) pursuant to Security Council resolution 1718 (2006); and

(v) any natural or legal person or entity designated for the application of targeted financial sanctions pursuant to Security Council resolution 2231 (2015) and any future successor resolutions by the Security Council.

Source: [FATF Recommendations](#)

Designation

The term *designation* refers to the identification of a person^[1], individual or entity that is subject to targeted financial sanctions pursuant to:

- United Nations Security Council resolution 1267 (1999) and its successor resolutions; person or entity and the public communication of that determination;
- Security Council resolution 1718 (2006) and any future

successor resolutions;

- Security Council resolution 1373 (2001), including the determination that the relevant sanctions will be applied to the person or entity and the public communication of that determination;
- Security Council resolution 2231 (2015) and any future successor resolutions; and
- any future Security Council resolutions which impose targeted financial sanctions in the context of the financing of proliferation of weapons of mass destruction.

As far as Security Council resolution 2231 (2015) and any future successor resolutions are concerned, references to “designations” apply equally to “listing”.

Source: [FATF Recommendations](#)

Domestic Wire Transfer

Please refer to the Interpretive Note to Recommendation 16. ([FATF Recommendations](#))

Enforceable means

Please refer to the Note on the Legal Basis of requirements on Financial Institutions and DNFBPs. ([FATF Recommendations](#))

Ex parte

The term *ex parte* means proceeding without prior

notification and participation of the affected party.

Source: [*FATF Recommendations*](#)

Express trust

Express trust refers to a trust clearly created by the settlor, usually in the form of a document e.g. a written deed of trust. They are to be contrasted with trusts which come into being through the operation of the law and which do not result from the clear intent or decision of a settlor to create a trust or similar legal arrangements (e.g. constructive trust).

Source: [*FATF Recommendations*](#)

False declaration

Please refer to the Interpretive Note to Recommendation 32. ([*FATF Recommendations*](#)).

Financial group

Please refer to the Interpretive Note to Recommendation 32. ([*FATF Recommendations*](#)).

Financial institutions

Financial institutions means any natural or legal person who conducts as a business one or more of the following activities or operations for or on behalf of a customer:

1. Acceptance of deposits and other repayable funds from the public.[1]
2. Lending.[2]

3. Financial leasing.[3]
4. Money or value transfer services.[4]
5. Issuing and managing means of payment (e.g. credit and debit cards, cheques, traveller's cheques, money orders and bankers' drafts, electronic money).
6. Financial guarantees and commitments.
7. Trading in:
 - (a) money market instruments (cheques, bills, certificates of deposit, derivatives etc.);
 - (b) foreign exchange;
 - (c) exchange, interest rate and index instruments;
 - (d) transferable securities;
 - (e) commodity futures trading.
8. Participation in securities issues and the provision of financial services related to such issues.
9. Individual and collective portfolio management.
10. Safekeeping and administration of cash or liquid securities on behalf of other persons.
11. Otherwise investing, administering or managing funds or money on behalf of other persons.
12. Underwriting and placement of life insurance and other investment related insurance[5].
13. Money and currency changing.

[1] This also captures private banking.

[2] This includes inter alia: consumer credit; mortgage credit;

factoring, with or without recourse; and finance of commercial transactions (including forfeiting). [3] This does not extend to financial leasing arrangements in relation to consumer products.

[4] It does not apply to any natural or legal person that provides financial institutions solely with message or other support systems for transmitting funds. See the Interpretive Note to Recommendation 16.

[5] This applies both to insurance undertakings and to insurance intermediaries (agents and brokers).

Source: [*FATF Recommendations*](#)

Foreign counterparts

Foreign counterparts refers to foreign competent authorities that exercise similar responsibilities and functions in relation to the cooperation which is sought, even where such foreign competent authorities have a different nature or status (e.g. depending on the country, AML/CFT supervision of certain financial sectors may be performed by a supervisor that also has prudential supervisory responsibilities or by a supervisory unit of the FIU).

Source: [*FATF Recommendations*](#)

Freeze

In the context of confiscation and provisional measures (e.g., Recommendations 4, 32 and 38), the term *freeze* means to prohibit the transfer, conversion, disposition or movement of any property, equipment or other instrumentalities on the

basis of, and for the duration of the validity of, an action initiated by a competent authority or a court under a freezing mechanism, or until a forfeiture or confiscation determination is made by a competent authority.

For the purposes of Recommendations 6 and 7 on the implementation of targeted financial sanctions, the term freeze means to prohibit the transfer, conversion, disposition or movement of any funds or other assets that are owned or controlled by designated persons or entities on the basis of, and for the duration of the validity of, an action initiated by the United Nations Security Council or in accordance with applicable Security Council resolutions by a competent authority or a court.

In all cases, the frozen property, equipment, instrumentalities, funds or other assets remain the property of the natural or legal person(s) that held an interest in them at the time of the freezing and may continue to be administered by third parties, or through other arrangements established by such natural or legal person(s) prior to the initiation of an action under a freezing mechanism, or in accordance with other national provisions. As part of the implementation of a freeze, countries may decide to take control of the property, equipment, instrumentalities, or funds or other assets as a means to protect against flight.

source: [*FATF Recommendations*](#)

Fundamental principles of domestic law

This refers to the basic legal principles upon which national legal systems are based and which provide a framework

within which national laws are made and powers are exercised. These *fundamental principles* are normally contained or expressed within a national Constitution or similar document, or through decisions of the highest level of court having the power to make binding interpretations or determinations of national law. Although it will vary from country to country, some examples of such fundamental principles include rights of due process, the presumption of innocence, and a person's right to effective protection by the courts.

Source: [FATF Recommendations](#)

Funds

The term *funds* refers to assets of every kind, whether corporeal or incorporeal, tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets.

Source: [FATF Recommendations](#)

Funds or other assets

The term *funds or other assets* means any assets, including, but not limited to, financial assets, economic resources (including oil and other natural resources), property of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds or other assets, including, but not limited to, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of

credit, and any interest, dividends or other income on or value accruing from or generated by such funds or other assets, and any other assets which potentially may be used to obtain funds, goods or services.

Source: [*FATF Recommendations*](#)

Identification data

The term *identification data* refers to reliable, independent source documents, data or information.

Source: [*FATF Recommendations*](#)

Intermediary financial institution

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

International organisations

International organisations are entities established by formal political agreements between their member States that have the status of international treaties; their existence is recognised by law in their member countries; and they are not treated as resident institutional units of the countries in which they are located. Examples of international organisations include the United Nations and affiliated international organisations such as the International Maritime Organisation; regional international organisations such as the Council of Europe, institutions of the European Union, the Organization for Security and Cooperation in Europe and the Organization of American States; military international organisations such as the North Atlantic Treaty Organization,

and economic organisations such as the World Trade Organisation or the Association of Southeast Asian Nations, etc.

Source: [*FATF Recommendations*](#)

J-M

Law

Please refer to the Note on the Legal Basis of requirements on Financial Institutions and DNFBPs.

Source: [*FATF Recommendations*](#)

Legal arrangements

Legal arrangements refers to express trusts and other similar legal arrangements. Examples of other similar arrangements[1] (for AML/CFT purposes) may include but are not limited to fiducie, certain types of Treuhand, fideicomiso and Waqf.[2]

[1] Similarity is assessed having regard to Article 2 of the Hague Convention on the law applicable to trusts and their recognition on the basis of whether legal arrangements have a similar structure or perform a similar function to an express trust

[2] Except in countries where Waqf are legal persons under Recommendation 24.

Source: [*FATF Recommendations*](#)

Legal persons

Legal persons refers to any entities other than natural persons that can establish a permanent customer relationship with a financial institution or otherwise own property. This can include companies, bodies corporate, foundations, anstalt, partnerships, or associations and other relevantly similar entities.

Source: [*FATF Recommendations*](#)

Money laundering offence

References (except in Recommendation 3) to a money laundering offence refer not only to the primary offence or offences, but also to ancillary offences.

Source: [*FATF Recommendations*](#)

Money or value transfer service

Money or value transfer services (MVTs) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTs provider belongs. Transactions performed by such services can involve one or more intermediaries and a final payment to a third party, and may include any new payment methods. Sometimes these services have ties to particular geographic regions and are described using a variety of specific terms, including hawala, hundi, and fei-chen.

N-R

Non-conviction based confiscation

Non-conviction based confiscation means confiscation through judicial procedures related to a criminal offence for which a criminal conviction is not required.

Source: [FATF Recommendations](#)

Nominator

Nominator is an individual (or group of individuals) or legal person that issues instructions (directly or indirectly) to a nominee to act on their behalf in the capacity of a director or a shareholder, also sometimes referred to as a “shadow director” or “silent partner”.

Source: [FATF Recommendations](#)

Nominee shareholder or director

Nominee is an individual or legal person instructed by another individual or legal person (“the nominator”) to act on their behalf in a certain capacity regarding a legal person. A Nominee Director (also known as a “resident director”) is an individual or legal entity that routinely exercises the functions of the director in the company on behalf of and subject to the direct or indirect instructions of the nominator.

A Nominee Director is never the beneficial owner of a legal person.

A Nominee Shareholder exercises the associated voting rights according to the instructions of the nominator and/or receives dividends on behalf of the nominator. A nominee shareholder is never the beneficial owner of a legal person based on the shares it holds as a nominee.

Source: [FATF Recommendations](#)

Non-profit organisations

Please refer to the Interpretive Note to Recommendation 8.
([FATF Recommendations](#))

Originator

Please refer to the Interpretive Note to Recommendation 16.
([FATF Recommendations](#))

Ordering financial institution

Please refer to the Interpretive Note to Recommendation 16. ([FATF Recommendations](#))

Payable-through accounts

Please refer to the Interpretive Note to Recommendation 13. ([FATF Recommendations](#))

Physical cross-border transportation

Please refer to the Interpretive Note to Recommendation 32.
([*FATF Recommendations*](#))

Politically Exposed Persons (PEPs)

Foreign PEPs are individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

Domestic PEPs are individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

Persons who are or have been entrusted with a prominent function by an international organisation refers to members of senior management, i.e. directors, deputy directors and members of the board or equivalent functions.

The definition of PEPs is not intended to cover middle ranking or more junior individuals in the foregoing categories.

Source: [*FATF Recommendations*](#)

Proceeds

Proceeds refers to any property derived from or obtained, directly or indirectly, through the commission of an offence.

Source: [*FATF Recommendations*](#)

Property

Property means assets of every kind, whether corporeal or incorporeal, moveable or immoveable, tangible or intangible, and legal documents or instruments evidencing title to, or interest in such assets.

Source: [*FATF Recommendations*](#)

Qualifying wire transfers

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Reasonable measures

The term *Reasonable Measures* means: appropriate measures which are commensurate with the money laundering or terrorist financing risks.

Source: [*FATF Recommendations*](#)

Related to terrorist financing or money laundering

Please refer to the Interpretive Note to Recommendation 32. ([*FATF Recommendations*](#))

Required

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Risk

All references to *risk* refer to the risk of money laundering and/or terrorist financing. This term should be read in conjunction with the Interpretive Note to Recommendation 1.

Source: [FATF Recommendations](#)

Toute référence à la notion de *risque* correspond au risque de blanchiment de capitaux et/ou de financement du terrorisme. Ce terme devrait être interprété au regard de la NI de la recommandation 1. ([FATF Recommendations](#))

S-T

Satisfied

Where reference is made to a financial institution being *satisfied* as to a matter, that institution must be able to justify its assessment to competent authorities.

Source: [FATF Recommendations](#)

Seize

The term *seize* means to prohibit the transfer, conversion, disposition or movement of property on the basis of an action initiated by a competent authority or a court under a freezing mechanism. However, unlike a freezing action, a seizure is effected by a mechanism that allows the competent authority or court to take control of specified property. The seized

property remains the property of the natural or legal person(s) that holds an interest in the specified property at the time of the seizure, although the competent authority or court will often take over possession, administration or management of the seized property.

Source: [*FATF Recommendations*](#)

Self-regulatory body (SRB)

A *SRB* is a body that represents a profession (e.g. lawyers, notaries, other independent legal professionals or accountants), and which is made up of members from the profession, has a role in regulating the persons that are qualified to enter and who practise in the profession, and also performs certain supervisory or monitoring type functions. Such bodies should enforce rules to ensure that high ethical and moral standards are maintained by those practising the profession.

Source: [*FATF Recommendations*](#)

Serial Payment

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Settlor

Settlers are natural or legal persons who transfer ownership of their assets to trustees by means of a trust deed or similar arrangement.

Source: [*FATF Recommendations*](#)

Shell bank

Shell bank means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision.

Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence.

Source: [*FATF Recommendations*](#)

Should

For the purposes of assessing compliance with the FATF Recommendations, the word *should* has the same meaning as *must*.

Source: [*FATF Recommendations*](#)

Straight-through processing

Please refer to the Interpretive Note to Recommendation 16. ([*FATF Recommendations*](#))

Supervisors

Supervisors refers to the designated competent authorities or non-public bodies with responsibilities aimed at ensuring compliance by financial institutions (“financial supervisors”[1]) and/or DNFBPs with requirements to combat money laundering and terrorist financing. Non-public bodies (which

could include certain types of SRBs) should have the power to supervise and sanction financial institutions or DNFBPs in relation to the AML/CFT requirements. These nonpublic bodies should also be empowered by law to exercise the functions they perform, and be supervised by a competent authority in relation to such functions.

[1] Including Core Principles supervisors who carry out supervisory functions that are related to the implementation of the FATF Recommendations.

source: [FATF Recommendations](#)

Targeted financial sanctions

The term *targeted financial sanctions* means both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and entities.

Source: [FATF Recommendations](#)

Terrorist

The term *terrorist* refers to any natural person who: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully; (ii) participates as an accomplice in terrorist acts ; (iii) organises or directs others to commit terrorist acts ; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

Source: *FATF Recommendations*

Terrorist act

A terrorist act includes:

(a) an act which constitutes an offence within the scope of, and as defined in one of the following treaties: (i) Convention for the Suppression of Unlawful Seizure of Aircraft (1970); (ii) Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1971); (iii) Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents (1973); (iv) International Convention against the Taking of Hostages (1979); (v) Convention on the Physical Protection of Nuclear Material (1980); (vi) Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1988); (vii) Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (2005); (viii) Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf (2005); (ix) International Convention for the Suppression of Terrorist Bombings (1997); and (x) International Convention for the Suppression of the Financing of Terrorism (1999).

(b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a Government or an international organisation to do or to abstain from doing any act.

Source: [FATF Recommendations](#)

Terrorist financing

Terrorist financing is the financing of terrorist acts, and of terrorists and terrorist organisations.

Source: [FATF Recommendations](#)

Terrorist financing abuse

Please refer to the Interpretive Note to Recommendation 8.

Source: [FATF Recommendations](#)

Terrorist financing offence

References (except in Recommendation 4) to a *terrorist financing offence* refer not only to the primary offence or offences, but also to ancillary offences.

Source: [FATF Recommendations](#)

Terrorist organisation

The term *terrorist organisation* refers to any group of terrorists that: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and wilfully; (ii) participates as an accomplice in terrorist acts; (iii) organises or directs others to commit terrorist acts; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the

intention of the group to commit a terrorist act.

Source: [FATF Recommendations](#)

Third parties

For the purposes of Recommendations 6 and 7, the term *third parties* includes, but is not limited to, financial institutions and DNFBPs.

Please also refer to the Interpretive Note to Recommendation 17.

Source: [FATF Recommendations](#)

Trustee

The terms *trust* and *trustee* should be understood as described in and consistent with Article 2 of the Hague Convention on the law applicable to trusts and their recognition [1].

Trustees may be professional (e.g. depending on the jurisdiction, a lawyer or trust company) if they are paid to act as a trustee in the course of their business, or a non-professional who is not in the business of being a trustee (e.g. a person acting on behalf of family).

[1] Article 2 of the Hague Convention reads as follows:

For the purposes of this Convention, the term "trust" refers to the legal relationships created – inter-vivos or on death - by a person, the settlor, when assets have been placed under the control of a trustee for the benefit of a beneficiary or for a specified purpose. A trust has the following characteristics -

a) the assets constitute a separate fund and are not a part of

the trustee's own estate;

b) title to the trust assets stands in the name of the trustee or in the name of another person on behalf of the trustee;

c) the trustee has the power and the duty, in respect of which he is accountable, to manage, employ or dispose of the assets in accordance with the terms of the trust and the special duties imposed upon him by law. The reservation by the settlor of certain rights and powers, and the fact that the trustee may himself have rights as a beneficiary, are not necessarily inconsistent with the existence of a trust.

Source: [FATF Recommendations](#)

U-Z

Unique transaction reference number

Please refer to the Interpretive Note to Recommendation 16.
([FATF Recommendations](#))

Virtual Asset

A *virtual asset* is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets that are already covered elsewhere in the FATF Recommendations.

Source: [FATF Recommendations](#)

Virtual Asset Service Providers

Virtual asset service provider means any natural or legal person who is not covered elsewhere under the Recommendations, and as a business conducts one or more of the following activities or operations for or on behalf of another natural or legal person:

- i. exchange between virtual assets and fiat currencies;
- ii. exchange between one or more forms of virtual assets;
- iii. transfer^[1] of virtual assets;
- iv. safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets; and
- v. participation in and provision of financial services related to an issuer's offer and/or sale of a virtual asset.

[1] In this context of virtual assets, *transfer* means to conduct a transaction on behalf of another natural or legal person that moves a virtual asset from one virtual asset address or account to another.

Source: [*FATF Recommendations*](#)

Without delay

The phrase *without delay* means, ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Sanctions Committee). For the purposes of S/RES/1373(2001), the phrase without delay means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a

terrorist organisation. In both cases, the phrase without delay should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organisations, those who finance terrorism, and to the financing of proliferation of weapons of mass destruction, and the need for global, concerted action to interdict and disrupt their flow swiftly.

Source: [FATF Recommendations](#)

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